UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Sugar Division

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SUGAR

The following is a brief description of the Sugar Quota and Payment Program authorized by the Sugar Act of 1937 and how it operates to assure American consumers ample supplies of sugar at reasonable prices.

The Sugar Act of 1937, like its predecessor, the Jones-Costigan Act of 1934, requires the Secretary of Agriculture to determine the quantity of sugar that American consumers will need during the calendar year. He must make his first estimate in December for the following year, but may revise it, upwards or downwards, during the year as the situation demands. In making his estimate, which represents the quantity of sugar which may be marketed in the United States during the year, the Secretary has to take into consideration past consumption of sugar, stocks of sugar, changes in population, and demand conditions. However, if, after taking these various factors into consideration, the figure arrived at is apt to result in excessive prices to consumers, the Secretary is authorized to increase the figure so that the total quantity of sugar made available to consumers will not bring about prices higher than are necessary to maintain the domestic sugar industry as a whole.

After the Secretary has made his estimate the total is divided among the various areas, domestic and foreign, which supply this country with sugar. Virtually all the sugar consumed in this country is furnished by six areas -- the continental sugar beet area, the mainland sugarcane area of Louisiana and Florida, the Territory of Hawaii, Puerto Rico, the Commonwealth of the Philippines, and Cuba. Congress has provided in the Act that about 56 percent of our sugar requirements may be furnished by the domestic areas, that the Philippines may ship in about 15 percent, and that the remaining 29 percent may be supplied by foreign countries, chiefly Cuba. Since it frequently happens that some domestic or foreign area is unable to fill its en-

tire quota, the Act provides, in order to make sure that consumers get all the sugar they need, that the prospective deficit be reallotted to other areas which are able to supply the sugar.

The sugar quota system not only guarantees to each area what Congress considered to be a fair share of the market but, because it restricts the total quantity of sugar which may be marketed, maintains domestic sugar prices substantially above those prevailing in the world market. For example, at the present time the world price of raw cane sugar f.o.b. New York is approximately $1.40 per hundred pounds, while the same sugar is selling in the domestic market at about $3.40 a hundredweight. As the effective tariff on sugar is only 90 cents per hundred the price-raising effect of the quota system is obvious. In the years immediately preceding the sugar quota system there was a tariff of $2.00 a hundredweight on Cuban sugar, the highest in 50 years, yet this prohibitive duty was ineffective in maintaining the income of domestic sugar producers at profitable levels and instead contributed greatly to the curtailment of our export trade in agricultural and industrial products.

Besides enjoying the protection of the quota system the income of domestic sugar producers is further increased by Federal payments of 60 cents per hundred pounds. The rates of payment are smaller in the case of the larger producers. Growers must meet certain conditions in order to receive these payments. They may not exceed their acreage allotments and they must carry out soil-conserving or soil-improving practices. They may not hire child labor and they must pay fair wages to field laborers. Finally, in the case of those growers who are also processors of beets or cane they must pay fair prices for beets or cane bought from other growers. These wages and prices are fixed by the Secretary but before he takes such action investigations are made and public hearings are held at which all interested parties may testify.

Payments to sugar producers who meet the various conditions are made not only on their share of the quantity of sugar needed to enable their area to fill its sugar marketing quota but also to establish appropriate reserves. This provision for reserves has made it possible for growers to establish an ever-normal granary for sugar.

The effectiveness of an ever-normal granary for sugar was clearly demonstrated after war broke out in the fall of 1939. After sugar purchases and prices had risen sharply because of fears of a sugar shortage, President Roosevelt on September 11, 1939, suspended all sugar marketing quotas and made available large reserve stocks of sugar. Following the appearance of these reserves on the market the situation returned to normal and consumers realized that they had become needlessly alarmed.

The sugar program also provides insurance for growers whose crops are damaged by drought, flood, insects, and other disasters. When sugar growers had to depend solely on their returns from processors, they received no compensation whatsoever for such losses.

There is an excise tax of 50 cents a hundred pounds on sugar, which is paid into the Treasury. Some beet growers have been told that this tax comes out of their pockets. What actually happens, however, is that although the tax reduces the net proceeds from the sale of sugar by the amount of the tax, approximately half of which is paid by processors under their participating contracts with growers, the lower price for beets received from the processors is more than made up by the government payments to growers. Therefore, the actual effect of the tax and payment phases of the program is to give sugar growers a larger share of the total sugar income than they would otherwise receive.

Since the sugar quota system became effective in 1934, consumers have not had to pay any more for their sugar, yet the great majority of domestic Sugar growers have received parity or near parity income, and processors have enjoyed substantial earnings.

At the same time it has been possible to greatly reduce child labor and to improve the wages of field laborers.

Another objective of the sugar quota system is to promote our foreign trade. In 1933, the year before this system and the reciprocal trade agreement with Cuba became effective, the neighbor republic bought $24,763,000 worth of goods from us. Since that time the Island's purchases from us have increased steadily and in 1940 they were valued at more than $84,000,000. Cuba today is the most important foreign market for United States lard and rice. It also takes large quantities of our wheat flour, potatoes, cured pork, onions, beans, apples, and soybean oil. Cuba is also important to this country for reasons of hemisphere unity and defense.

Some people who have in mind the experience of the World War in food commodities, fear a possible sugar shortage. It should therefore be pointed out that sugar supplies in or near the United States are ample to meet the needs of all consumers, and that, unlike the last war, world production and stocks are virtually at record levels. There are large reserves in certain domestic areas, and there are large surpluses in nearby Latin American republics which have been prevented by the War from making their usual shipments of sugar to Europe.

The point has been made in recent months that much of our sugar must be brought to the mainland in ships, and that in view of the tight shipping situation some difficulty might be experienced in bringing in all of the sugar we need. The situation at the moment is that shipments of sugar from offshore areas in the first five months of this year were 44% greater than in the corresponding period of 1940, and that everyone of the major insular sugar supplying areas, namely, Hawaii, Puerto Rico, the Philippines, and Cuba had sent much more sugar here up to the end of May than in the January-May period of last year. In spite of the fact that such shipments are ahead of last year the shipping problem is still a serious one. It should be borne in mind, however, that the insular sugar producing areas need farm and factory products from continental United States. Moreover, these islands are also defense outposts requiring large shipments of military supplies and equipment from the mainland